GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Industries and Commerce Department – Extension of certain incentives under Aerospace & Defence Policy 2015-20 to M/s. VEM Technologies Pvt Ltd, to build world class Integrated Aerocity in Dubacherla village, Nallajerla Mandal, West Godavari District around Tadepalligudem – Orders- Issued.

INDUSTRIES & COMMERCE (POLICY & INVESTMENT) DEPARTMENT

G.O.MS.No. 9 Dated: 11-01-2016

Read the following:-

1. From M/s. VEM Technologies Pvt Ltd., letter, Dt:09.03.2015 and the DPR submitted by M/s VEM Technologies Pvt Ltd.
2. Empowered Committee Meeting on 09.11.2015
3. State Investment Promotion Board Meeting on 17.11.2015.

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O R D E R:-

In the letter 1st read above, M/s. VEM Technologies Pvt. Ltd has informed that it intends to build a world class Integrated Aerocity in Dubacherla village, Nallajerla Mandal, West Godavari District around Tadepalligudem. The total investment of the project is around Rs. 2,135 Crore in three phases and has the potential to create employment to 2,150 skilled labour. The investment and employment in the 1st phase is Rs. 635 Crore and 650 people respectively. The Aerocity project is divided into three independent Proposals viz., (i) Aerocity-Weapon Systems Complex (ii) Aerocity- Aircraft Systems Complex and (iii) Aerocity- Manufacturing Complex based on ownership and management considerations.

2. The Company has requested for the following benefits:

Assistance for the Unit

(i) To accord VEM Aerocity Mega Project status & Anchor unit status and Aerospace and Defence Park Category
(ii) All incentives under the AP Solar power Policy 2015 to be granted for its Solar power plant going to be set up with 1 MW capacity to cater its Captive needs.
(iii) Being an Anchor unit VEM be granted with Anchor unit subsidy of Rs.10 crore to each of first 10 aerospace and/or defence OEM enterprises established during the policy period.
(iv) To grant applicable benefits under R&D since the VEM R & D.
(v) Land at a rate of Rs. 7 lakhs per acre
(vi) 100% exemption of VAT/CST/SGST for a limited period of 5 years.
(vii) VAT/CST on the purchases made by the VEM Aerocity during the construction period be reimbursed to assist in improving the viability of the proposed project. It is estimated to be around Rs. 10-15 Crore.
(viii) Power tariff subsidy to be fixed at Rs. 2/- per unit to house wide range of weapon systems integration & products for armed forces.
(ix) To accord a special grant of Rs. 10.00 Crore, as one time support to its VEM Skill Development Centre to be set up within the Aerocity with an estimated cost of Rs. 40.00 Crore to meet its technological advancements from time to time.

Assistance for Park

(i) Subsidy of Rs. 6.00 Crore towards development of VEM Aerocity land.

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(ii) 50% subsidy the cost of Land, Building and Plant & Machinery to the extent of Rs.25 Crore.

(iii) To accord the grant of Rs. 30.00 Crore on account of Technology Innovation Centre.

(iv) Laser Guided Bombs & SAMs as a part of weapon integration in VEM Aerocity

(v) To provide the subsidy of Rs. 50.00 Cr for the common facility centre**.**

(vi) To ensure that no permanent construction shall be allowed to construct adjacent to the VEM Aerocity external perimeter (Compound wall) with a minimum of 0.5 Kms distance.

(vii) To exempt the project from payment of NALA tax if any.

(viii) To exempt the project from any applicable processing fee and development charges towards Layout approval.

(ix) To grant a special permission for an access to the nearest Airstrip to carry on the flight trails for conducting the flight trails on regular phenomena for UAVs & Helicopters and in future the Aircrafts too.

(x) To accord the special grant for a firing test range near Nagayalanka, an open field to use the mobile testing facility & mobile target simulation for technical evaluation at the proposed test range for firing. The test range is limited to between 2.50 Kms to 5.00 kms.

(xi) To accord the special grant for a firing test range near Nagayalanka, an open field to use the mobile testing facility & mobile target simulation for technical evaluation at the proposed test range for firing. The test range is limited to between 2.50 Kms to 5.00 kms District Collector is required to issue a "Notem" (Public announcement) whenever they conduct such testing i.e. only at the time of conducting the technical evaluations.

(xii) **External Infrastructure**

(a) **Approach road** - Dubacherla village, Nallajerla Mandal (plant site) to the nearby National highway/Grand Trunk Road – 5 KMs. Presently, there is one Damber road of 20 ft width available and the company is requesting for a minimum of 100 ft. road width for the heavy truck movement. The estimated cost is Rs.4-5 Crore

(b) **Power** - "Dedicated Feeder Line from nearby 132 KV station. Power of 5.0 MW at the VEM Aerocity. Initially require 11 KV sub-station with dedicated feeder inside the VEM Aerocity. The estimated cost is Rs.3-5 Crore

(c) **Water -** 0.5 MLD industrial water be allotted from nearest surface water source.

(xiii) Sand required for the construction to be provided at Govt. rates.

(xiv) A Primary health care centre for 4000 direct & indirect employee families to be granted under IIDF.

(xv) Interest subsidy on the term loan @ 9% per annum for a period of 5 years from the date of commencement of commercial production shall be granted.

(xvi) 100% subsidy on the expenses incurred for Quality certification and patent registration to be granted as applicable.

(xvii) For employees, who have crossed ESI limits, 50% subsidy in health insurance amount to be granted.

3. In the reference 2nd read above, the Empowered Committee (EC) has discussed the proposal of M/s. VEM Technologies Pvt. Ltd. in detail and recommended the proposal to SIPB.

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4. In the reference 3rd read above, the State Investment Promotion Board (SIPB) has examined the proposal of M/s. VEM Technologies Pvt. Ltd., in detail and decided to extend the following incentives:

(a) 100 % VAT & CST reimbursement for period of (7) years from the date of commencement of commercial production or upto realization of 100% fixed capital investment, whichever is earlier.
(b) Reimbursement of 100 % cost of patents upto Rs. (5) lakh for domestic and Rs. (10) Lakh for international patents
(c) Reimbursement of 75% of the cost of quality certifications upto Rs. (3) Crores
(d) Reimbursement of one time land conversion charges under NALA.
(e) Sanction of external infrastructure assistance for laying power line from 132 KV substation, approach road and water pipeline for an amount upto Rs 10.00 crores or the actuals, whichever is less from the IIDF funds. The assistance will be directly paid, under the IIDF funds, to the concerned Department executing the work.
(f) To provide Aerospace and Defence Park status, as per the provisions of the Andhra Pradesh Aerospace & Defence Policy 2015-20 being an early start-up Defence and Aerospace Park in the state and in order to develop the Aerospace & Defence ecosystem in Andhra Pradesh.
(g) Agreed in principle not to permit any permanent construction within 0.5 KM of the Aerocity perimeter. The PR/ MAUD shall take necessary action in this regard.
(h) Agreed in principle to take up the matter with the Ministry of Human Resource Development, Government of India regarding the provision of access to nearest airstrip at Tadepalligudem, subject to feasibility.
(i) Agreed in principle to take up the matter with the Ministry of Defence, Government of India for utilizing the Nagayalanka Test range, subject to feasibility and the clearance of the legal hurdles in the matter.
(j) Agreed in principle for establishment of Skill Development Centre with a onetime GoAP grant of Rs (10) crores. The project proponent is directed to submit a Detailed Project Report for the establishment of the Skill Development Centre to the Skill Development Department, GoAP which will subject to its satisfaction with the DPR provide the funding and all the necessary support.
(k) The Mines & Geology Department is directed to provide sand on priority basis for the construction of the unit.
(l) The Medical & Health Department shall provide medical facilities in proximity subject to feasibility.
(m) All other benefits as per Aerospace & Defence Policy 2015-20.
(n) The production related incentives like VAT & CST, power cost reimbursement, etc will not be applicable for relocated investments

5. Government after careful consideration of the recommendations of the State Investment Promotion Board, hereby decided to extend the following incentives to M/s. VEM Technologies Pvt Ltd., to build world class Integrated Aerocity in Dubacherla village, Nallajerla Mandal, West Godavari District around Tadepalligudem with an investment of Rs.2,135 Crore in three phases and to create employment to 2,150 skilled labour:-

(i) 100 % VAT & CST reimbursement for period of (7) years from the date of commencement of commercial production or upto realization of 100% fixed capital investment, whichever is earlier.

(ii) Reimbursement of 100 % cost of patents upto Rs. (5) lakh for domestic and Rs. (10) Lakh for international patents.

(iii) Reimbursement of 75% of the cost of quality certifications upto Rs. (3) Crores.

(iv) Reimbursement of one time land conversion charges under NALA.

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(v) Sanction of external infrastructure assistance for laying power line from 132 KV substation, approach road and water pipeline for an amount upto Rs 10.00 crores or the actuals, whichever is less from the IIDF funds. The assistance will be directly paid, under the IIDF funds, to the concerned Department executing the work.

(vi) To provide Aerospace and Defence Park status, as per the provisions of the Andhra Pradesh Aerospace & Defence Policy 2015-20 being an early start-up Defence and Aerospace Park in the state and in order to develop the Aerospace & Defence ecosystem in Andhra Pradesh.

(vii) Agreed in principle not to permit any permanent construction within 0.5 KM of the Aerocity perimeter. The PR/ MAUD shall take necessary action in this regard.

(viii) Agreed in principle to take up the matter with the Ministry of Human Resource Development, Government of India regarding the provision of access to nearest airstrip at Tadepalligudem, subject to feasibility.

(ix) Agreed in principle to take up the matter with the Ministry of Defence, Government of India for utilizing the Nagayalanka Test range, subject to feasibility and the clearance of the legal hurdles in the matter.

(x) Agreed in principle for establishment of Skill Development Centre with a onetime GoAP grant of Rs (10) crores. The project proponent is directed to submit a Detailed Project Report for the establishment of the Skill Development Centre to the Skill Development Department, GoAP which will subject to its satisfaction with the DPR provide the funding and all the necessary support.

(xi) The Mines & Geology Department is directed to provide sand on priority basis for the construction of the unit.

(xii) The Medical & Health Department shall provide medical facilities in proximity subject to feasibility.

(xiii) The production related incentives like VAT & CST, power cost reimbursement, etc will not be applicable for relocated investments

(xiv) All other benefits as per Aerospace & Defence Policy 2015-20, which include

(a) Fixed power cost reimbursement @ Rs. 1.00 per unit for a period of five years from the date of commencement of commercial production.
(b) Subsidy of upto 50% of the cost of land, building, plant and machinery subject to a maximum of Rs. 25 crore for testing center, Rs. 30 crore for technology innovation center and Rs. 50 crore for the common facility center.
(c) For in-plant training, the cost of training would be subsidized by way of offering stipend up to 50% of the cost of training subject to Rs. 10,000 per month per trainee. This incentive shall be available for maximum of 50 trainees per unit per annum.
(d) Anchor unit subsidy of Rs 10 crore each shall be offered to first 10 aerospace and / or defence Original Equipment Manufacturers (OEM) enterprises established during the policy period.
(e) Land Allotment as per Industrial Development Policy 2015-20. Anchor units would be given preference for government land allotment. These anchor units may sub lease part of their land (subject to a maximum of 50% of the total allocated land) to its suppliers. In such cases, the suppliers must sell at least 50% of their output to the respective anchor unit.

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(f) Transport reimbursement for project cargo with insurable value over Rs. 1 crore for an order executed for the Ministry of Defence or Ministry of Home Affairs or its foreign equivalents by an anchor unit. Applicable for projects whose contract value is greater than Rs.50 crore. Reimbursement would be capped at a maximum of Rs. 1 crore per contract.

(g) R&D investments in defence above Rs.10 crore would be eligible for a 10% subsidy on investments subject to a maximum of Rs.10 crore per investment.

5. The Director of Industries, Andhra Pradesh, Hyderabad shall take necessary action, accordingly and intimate the status of the progress of work done by the unit from time to time to the Government.

(BY ORDER AND IN THE NAME OF THE GOVERNER OF ANDHRA PRADESH)

S.S.RAWAT
SECRETARTY TO GOVERNMENT &
COMMISIONER FOR INDUSTRIAL PROMOTION

To
The Director of Industries, Andhra Pradesh, Hyderabad.
M/s. VEM Technologies Pvt Ltd through the Director of Industries, Andhra Pradesh.
The Director of Mines & Geology, A.P., Hyderabad.
The PR & RD (PR) Department.
The MA & UD Department.
The H.M. & F.W. Department.
The Collector & District Magistrate, West Godavari District.
The VC & MD, APIIC Ltd., Hyderabad.
The General Manager, District Industries Centre, West Godavari District, Eluru.
The Zonal Manager, APIIC, Kakinada.
Copy to
The Finance (EBS-VIII)Department.
The Revenue (CT) Department.
The Revenue (Registration) Department.
The Law (H) Department.
The Accountant General, Andhra Pradesh, Hyderabad
The Commissioner of Commercial Taxes, Hyderabad
The Chairman & Managing Director, APTRANSCO., Hyderabad
The Managing Director, APSPDC Ltd., Kurnool
The Vice Chairman & Managing Director, APIIC, Hyderabad.
P.S. to Secretary to Chief Minister
P.S. to Chief Secretary to Government
P.S. to Secretary to Government & CIP, Industries & Commerce Dept.
SC/SF.

//FORWARDED :: BY ORDER//

SECTION OFFICER